

NOT CREATED EQUAL.

Our Engine End By-Pass Valve. We agree that even dirty oil is better than not enough oil in your engine. That's why this valve will automatically open allowing the oil to by-pass the filter media if the internal differential pressure exceeds 8 PSI. But that's a big "if". Because we utilize two filters, instead of just one, the STP Double Oil Filter is a lot less likely to clog. And chances are this valve will never be needed under normal recommended changing schedules.

AR26

The patented STP Double Flow System for oil intake. It directs the flow of oil between the two filtering elements, then both in and out through the filters depending on your engine's demands. Result: the STP filter has the ability to clean more oil more carefully under normal driving conditions, and still provide reserve filtration capability during engine stress.

STP begins with an outer element of scientifically made filtering material. Instead of paper, it's a blend of durable synthetic fiber materials for more positive filtration control and high temperature resistance.

Andy Granatelli's
STP
Dual Oil Filter
STP-1



The STP canister is not fluted as are most others. Bending metal creates stress points that actually weaken the structure of the filter. And STP tests the bursting pressure of every canister well beyond original equipment specifications.

The unique STP filter within a filter. A precision-wound core of filtering fibers. Carefully woven to allow ample oil flow at all times and still trap impurities smaller than 25 microns. (Half the width of a human hair.) No other filter has it!

The STP Internal Pressure Differential Valve. You won't find this in the #1 seller. It's located at the dome end of the STP filter, to control the amount of oil flow through the two filters depending on engine and weather demands. It actually adjusts the flow automatically to accommodate sudden bursts of engine speed, or cold weather starting, or high speed high temperature cruising.

A FILTER IN A FILTER
To Double Clean Your Oil

ANNUAL REPORT
TO STOCKHOLDERS
1971



To The Shareholders . . .

The cover of this year's annual report to shareholders is one of our recent advertisements for our new superior STP Oil Filter.

One of the most important elements in the successful marketing of consumer products is dynamic, resultful advertising. STP is noted for this kind of advertising.

The fact that our products deliver many benefits and that our advertising makes these benefits apparent has resulted in the steady increase of sales on a worldwide basis through 1971 where STP products and the familiar oval STP trademark have become recognized as the symbol of product performance.

The introduction of new products and the steady expansion of our markets have necessarily been expensive and have contributed to reduced net earnings. But expenditures of this kind are really investments rather than mere expenditures.

Most of our shareholders have been aware of the increases in our advertising and promotional activities. Also, of our activity in the introduction of new products . . . the most important being our revolutionary new patented STP Double Oil Filter which we feel confident will equal the success that has been accorded to many of our internationally known STP products.

Our shareholders may not be as well acquainted with the efforts we have made during the past several years in overseas market expansion and development. In addition to distributors in 78 countries, your company now has eight new subsidiary companies

cooperating to directly market our products in some of the largest countries in the world.

These foreign operations of STP, most of them organized and put into business during the past 12 to 18 months, include STP Europa; STP Corporation (Australia) Pty., Ltd.; STP France, S.A.; STP Corporation Deutschland, G.m.b.H.; STP Corporation of Sweden, AB; STP Corporation of Scandinavia, A/S; STP Norway, A/S and STP Italia, S.p.A.

Now in the process of organization and expected to be in operation before the end of 1972 are two others, STP Asia, Inc., which will operate in Japan, and STP de Mexico.

It is well to consider at this point that as recently as the beginning of 1968, our International Department, which now has well over 150 employees around the world, was composed of a handful of people.

In addition to this expansion into the free world marketplace, your company has expanded strongly in the domestic area and in our neighboring country of Canada. We are now composed of 10 domestic and Canadian subsidiaries or divisions.

These include Pyroil Company, Inc.; Champion Laboratories, Inc.; Pyroil Canada, Ltd. and Master Specialty Company. Others are The Penray Company, "X" Laboratories, Inc., Warner-Patterson Company, Pylon Manufacturing Corporation, Warner-Patterson Company of Canada, Ltd. and STP Scientifically Tested Products of Canada, Ltd. All of these companies are 100% owned either by

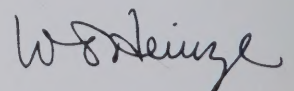
STP Corporation or by one of its wholly owned subsidiaries.

The majority of the above listed subsidiaries and divisions operating in the domestic area are the result of carefully planned acquisitions, accomplished during the period between 1968 and the present time. We intend to continue our expansion and growth, both internally and through appropriate acquisitions, and we have the skilled management team to do it.

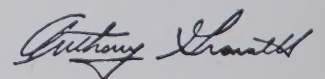
All of this is indicative of the kind of corporate growth we have experienced during the past two to three years. It is also indicative of the kind of future we envision for your company.

During the exciting, early period of its growth, STP was widely known as the successful marketer of a single product. That period of our life and development is now history. We have become a different kind of company, with a diversified line of products and a planned program of market expansion.

We feel confident that our performance in constructing and operating this new kind of a company will continue to merit your confidence.



Walter O. Heinze,
Chairman



Anthony (Andy) Granatelli,
President

April 7, 1972

STP CORPORATION AND SUBSIDIARIES

Five Year Summary

	1971	1970	1969	1968	1967(A)
OPERATING RESULTS					
Sales	\$94,502,954	\$85,935,728	\$65,334,889	\$52,245,153	\$37,775,475
Income before income taxes	17,244,991	23,009,487	19,389,522	13,513,913	9,870,221
Net income	8,461,991	11,601,487	9,052,522	6,419,683	5,148,411
Percent of stockholders' equity ..	17.6%	26.9%	23.2%	18.7%	
Percent of sales	9.0%	13.5%	13.9%	12.3%	
Per common share and common share equivalent	\$1.42	\$1.92	\$1.50	\$1.18	
Average common shares and common share equivalents outstanding	5,942,252	6,055,056	6,052,126	5,435,464	
Cash dividends:					
of STP Corporation	3,567,528	2,866,350	4,572,050	570,000	
per share of common stock ..	\$.60	\$.50	\$.80	\$.10	
of Pyroil Company, Inc. prior to merger	—	183,753	153,019	56,163	
FINANCIAL POSITION					
Cash	1,494,988	1,739,196	3,983,991	3,304,527	
Short-term investments	11,856,075	23,477,761	15,704,292	15,971,660	
Total current assets	43,276,722	41,737,797	32,298,049	28,741,496	
Total current liabilities	13,068,282	15,325,132	8,955,749	7,131,526	
Working capital	30,208,440	26,412,665	23,342,300	21,609,970	
Current ratio	3.3 to 1	2.7 to 1	3.6 to 1	4.0 to 1	
Net property, plant and equipment	6,161,672	5,030,075	4,397,411	3,064,193	
Total assets	61,182,305	58,499,041	48,040,793	41,374,117	
Stockholders' equity	48,114,023	43,173,909	39,085,044	34,242,591	
Per share of common stock	\$8.11	\$7.27	\$6.49	\$5.70	
Common shares outstanding at end of year	5,930,680(B)	5,934,787	6,026,637	6,006,037	

(A) STP Division of Studebaker Corporation

(B) In addition, 16,200 shares were held in the treasury at December 31, 1971

See notes to financial statements.

Consolidated Statement of Income

	Year Ended December 31	
	1971	1970
Income:		
Net sales	\$94,502,954	\$85,935,728
Interest income	881,395	1,312,146
	<u>95,384,349</u>	<u>87,247,874</u>
Costs and expenses (including provisions for depreciation on the straight-line method—\$756,370 in 1971 and \$698,368 in 1970):		
Cost of products sold	35,806,170	31,853,755
Selling, administrative and other expenses	42,333,188	32,384,632
	<u>78,139,358</u>	<u>64,238,387</u>
INCOME BEFORE INCOME TAXES	<u>17,244,991</u>	<u>23,009,487</u>
Provision for income taxes:		
Federal, after reduction for investment tax credits (not material) on the flow-through method	8,071,000	10,829,000
State	712,000	579,000
	<u>8,783,000</u>	<u>11,408,000</u>
NET INCOME	<u>\$ 8,461,991</u>	<u>\$11,601,487</u>
Net income per common share and common share equivalent—Note D ..	\$1.42	\$1.92
Average number of common shares and common share equivalents outstanding—Note D	5,942,252	6,055,056

See notes to consolidated financial statements.

STP CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheet

	December 31	
	1971	1970
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,494,988	\$ 1,739,196
Short-term investments—at cost	11,856,075	23,477,761
Accounts receivable, less allowances (1971—\$635,000; 1970—\$432,000)	17,634,001	9,576,628
Inventories—at the lower of cost (first-in, first-out method) or market:		
Finished products	8,699,802	4,491,796
Work in process	438,179	360,976
Materials and packaging supplies	2,612,374	1,833,317
	<u>11,750,355</u>	<u>6,686,089</u>
Prepaid expenses	541,303	258,123
TOTAL CURRENT ASSETS	43,276,722	41,737,797
MISCELLANEOUS INVESTMENTS AND ACCOUNTS	535,428	527,441
PROPERTY, PLANT AND EQUIPMENT—on the basis of cost		
Land	628,428	393,040
Buildings	2,125,422	1,627,955
Equipment	6,191,612	5,351,540
	<u>8,945,462</u>	<u>7,372,535</u>
Less allowances for depreciation	2,783,790	2,342,460
	<u>6,161,672</u>	<u>5,030,075</u>
COSTS IN EXCESS OF TANGIBLE ASSETS ACQUIRED	11,208,483	11,203,728
	<u><u>\$61,182,305</u></u>	<u><u>\$58,499,041</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	\$ 775,389	\$ 1,885,387
Accounts payable	6,237,058	4,236,702
Accrued wages and other expenses	4,095,084	2,351,875
Federal and state income taxes	1,839,483	1,988,647
Amount payable to parent company—Note A	121,268	4,862,521
	<u>13,068,282</u>	<u>15,325,132</u>
STOCKHOLDERS' EQUITY—Note C		
Preferred Stock, without par value:		
Authorized 1,000,000 shares (none issued)		
Common Stock, par value \$1.00 a share:		
Authorized 10,000,000 shares		
Issued (including 16,200 shares in treasury in 1971): 1971—5,946,880 shares; 1970—5,934,787 shares	5,946,880	5,934,787
Capital surplus	25,700,722	25,386,654
Retained earnings	16,746,931	11,852,468
Cost of Common Stock in treasury (deduction)	(280,510)	—
	<u>48,114,023</u>	<u>43,173,909</u>
	<u><u>\$61,182,305</u></u>	<u><u>\$58,499,041</u></u>

See notes to consolidated financial statements.

STP CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity

	Common Stock	Capital Surplus	Retained Earnings	Cost of Common Stock in Treasury (Deduction)	Total
YEAR ENDED DECEMBER 31, 1970					
Balance at January 1, 1970	\$6,026,637	\$25,371,061	\$ 7,687,346	\$ —	\$39,085,044
Proceeds of sale of 20,650 shares of Common Stock on exercise of stock options and subscription ..	20,650	492,593			513,243
Cost of Common Stock purchased from Studebaker-Worthington, Inc. in connection with merger— Note A	(112,500)	(477,000)	(4,386,262)		(4,975,762)
Net income for the year			11,601,487		11,601,487
Cash dividends:					
Of STP Corporation—\$.50 a share			(2,866,350)		(2,866,350)
Of Pyroil Company, Inc. prior to merger			(183,753)		(183,753)
BALANCE AT DECEMBER 31, 1970	<u>5,934,787</u>	<u>25,386,654</u>	<u>11,852,468</u>	<u>—</u>	<u>43,173,909</u>
YEAR ENDED DECEMBER 31, 1971					
Proceeds of sale of 12,093 shares of Common stock on exercise of stock options and subscription ..	12,093	314,068			326,161
Net income for the year			8,461,991		8,461,991
Cash dividends—\$.60 a share			(3,567,528)		(3,567,528)
Cost of 16,200 shares of Common Stock acquired for treasury				(280,510)	(280,510)
BALANCE AT DECEMBER 31, 1971	<u>\$5,946,880</u>	<u>\$25,700,722</u>	<u>\$16,746,931</u>	<u>(\$280,510)</u>	<u>\$48,114,023</u>

() Denotes deduction.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

**Note A—Consolidation Data,
Merger and Purchase of
Common Stock:**

The consolidated financial statements include the accounts of STP Corporation (a subsidiary of Studebaker-Worthington, Inc.) and all of its subsidiaries.

During 1970, Pyroil Company, Inc. was merged with and into STP Corporation. Pursuant to the merger 306,537 shares of Common Stock of STP Corporation were issued in exchange for all of the outstanding stock of Pyroil Company, Inc. This transaction was accounted for as a pooling of interests. Accordingly, the results of operations of Pyroil are included in the financial statements from January 1, 1970.

On December 18, 1970, STP Corporation purchased 112,500 shares of its Common Stock from Studebaker-Worthington, Inc., for \$4,975,762, to be used in connection with the merger with Pyroil Company, Inc. Of that amount, \$100,000 was paid in 1970 and the balance was paid in 1971.

A revolving credit agreement entered into by Studebaker-Worthington, Inc. places certain restrictions on Studebaker-Worthington, Inc. and its subsidiaries, including STP Corporation, as to, among other things, liens, indebtedness, guarantees, and long-term leases.

Note B—Pension Plans:

The Corporation and certain subsidiaries have noncontributory pension plans covering substantially all of their employees. The costs of these plans, including amortization of past service costs over periods to 40 years, charged to in-

come during 1971 and 1970 were \$250,279 and \$192,094, respectively. At December 31, 1971, vested benefits of the participants did not exceed pension fund assets and balance sheet accruals. It is the Corporation's policy to fund pension costs accrued.

**Note C—Stock Options and
Subscription:**

Under qualified stock option plans adopted in 1968 and 1970, options to purchase Common Stock may be granted to key employees at prices not less than the market prices on the dates the options are granted. The term of

these options is up to five years and they are exercisable in varying amounts beginning one year after grant. The outstanding options under the qualified stock option plan of Pyroil Company, Inc. were assumed during 1970 by STP Corporation upon the merger. A summary of changes with respect to the plans follows:

	Number of Shares	
	Available for Future Options	Granted
Balance at January 1, 1970	30,300	155,100
Assumptions of Pyroil options at \$19.00 to \$38.75 per share	(8,316)	8,316
Additional shares authorized to be granted under the 1970 plan	100,000	
Granted at \$33.50 to \$47.56 per share	(24,100)	24,100
Exercised at \$25.00 per share		(8,150)
Canceled	15,550	(15,550)
Balance at December 31, 1970 at prices ranging from \$19.00 to \$47.56 per share	113,434	163,816
Granted at \$18.75 to \$55.69 per share	(111,283)	111,283
Exercised at \$19.00 to \$39.69 per share		(6,093)
Canceled	10,634	(10,634)
Balance at December 31, 1971 at prices ranging from \$18.75 to \$55.69 per share	12,785	258,372
Exercisable at December 31, 1971		95,140

Notes to Consolidated Financial Statements

During 1971, certain holders of qualified stock options were granted rights to receive a maximum of 199,412 shares of Common Stock under the Corporation's Alternate Stock Plan adopted in 1970. Such rights were granted with reference to outstanding stock options and the shares issuable upon the exercise of such rights will not duplicate and cannot exceed the number of shares remaining unexercised under the related stock options.

Under an agreement with an officer, the Corporation was obligated at December 31, 1971 to sell 24,000 shares of its Common Stock to the officer at \$25.00 a

share. Shares are to be delivered and paid for in four installments of 6,000 shares each through March 1, 1976. During 1971 and 1970, 6,000 and 12,000 shares respectively, were sold to the officer under this agreement.

At December 31, 1971, a total of 295,157 shares of Common Stock were reserved for the aforementioned options and subscription.

**Note D—Net Income Per
Common Share and
Common Share
Equivalent:**

Net income per share is based upon the weighted average num-

ber of common shares and, in 1970, common share equivalents outstanding during the year. For the purpose of the 1970 computation, the common share equivalents include dilutive stock options and subscription, which were not dilutive for 1971. Income per share assuming full dilution is the same as income per share.

Note E—Lease Commitments:

The Corporation and certain of its subsidiaries lease office and plant facilities and equipment under long-term leases extending to 1985 which provide for annual rentals of \$236,000, plus property taxes, maintenance and certain other occupancy costs.

Board of Directors
and Stockholders
STP Corporation
Des Plaines, Illinois

We have examined the consolidated balance sheet of STP Corporation (a subsidiary of Studebaker-Worthington, Inc.) and subsidiaries at December 31, 1971 and 1970 and the related consolidated statements of income, changes in stockholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying aforementioned financial statements present fairly the consolidated financial position of STP Corporation and subsidiaries at December 31, 1971 and 1970, and the consolidated results of their operations, changes in stockholders' equity, and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois
January 27, 1972

Ernst & Ernst

STP CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Financial Position

	Year Ended December 31	
	1971	1970
Balance of cash and short-term investments at beginning of year	\$25,216,957	\$19,688,283
Add:		
Net income	8,461,991	11,601,487
Provision for depreciation (expense not requiring current outlay of working capital)	756,370	698,368
WORKING CAPITAL PROVIDED FROM OPERATIONS	9,218,361	12,299,855
Increase (decrease) in accounts payable	2,000,356	(578,050)
Increase in accrued wages and other expenses	1,743,209	216,921
Proceeds from sale of Common Stock	326,161	513,243
	38,505,044	32,140,252
Deduct:		
Cash dividends to stockholders	3,567,528	3,050,103
Increase in accounts receivable	8,057,373	2,170,405
Increase in inventories	5,064,266	1,613,722
Increase in miscellaneous investments and accounts	7,987	372,474
Expenditures for property, plant and equipment, net of disposals (1971—\$88,533; 1970—\$755,450)	1,887,967	1,331,032
Decrease (increase) in notes payable	1,109,998	(168,838)
Decrease (increase) in federal and state income taxes	149,164	(1,740,437)
Decrease in amount payable to parent company not including, in 1970, \$4,875,762 payable at end of 1970 for purchase of Common Stock . .	4,741,253	54,525
Cost of Common Stock acquired for treasury	280,510	—
Other changes—net	287,935	240,309
	25,153,981	6,923,295
BALANCE OF CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	<u>\$13,351,063</u>	<u>\$25,216,957</u>

See notes to consolidated financial statements.

DIRECTORS

Walter O. Heinze	<i>Chairman of the Board</i>
Anthony Granatelli	<i>President and Chief Executive Officer</i>
Derald H. Ruttenberg	<i>Chairman of the Board and Chief Executive Officer, Studebaker-Worthington, Inc.;</i> <i>Chairman of the Board, I-T-E Imperial Corporation</i>
Randolph H. Guthrie	<i>Partner of Mudge Rose Guthrie & Alexander, Attorneys, New York;</i> <i>Chairman of the Executive Committee, Studebaker-Worthington, Inc.</i>
Charles W. Lubin	<i>Director, National Biscuit Co., and Unarco Industries, Inc.</i>
Leslie T. Welsh	<i>President, Studebaker-Worthington, Inc.</i>
Richard D. Colburn	<i>Chairman of the Board, The Susquehanna Corporation</i>
Harold W. McCreight	<i>President and Chief Executive Officer, Pyroil Company, Inc.</i>
H. P. Skoglund	<i>Chairman of the Board, North American Life & Casualty Company</i>

OFFICERS

Walter O. Heinze	<i>Chairman of the Board</i>
Anthony Granatelli	<i>President and Chief Executive Officer</i>
Basil D. Bacon	<i>Senior Vice President</i>
James A. G. Beales	<i>Group Vice President</i>
James B. Dillingham	<i>Vice President-Marketing</i>
William C. Dredge	<i>Vice President-Public Relations</i>
Irvin J. Fox	<i>Vice President</i>
Howard H. Gaither	<i>Vice President</i>
John S. Gardella	<i>Vice President-Market Development</i>
L. Anthony Gumbrill	<i>Vice President-International</i>
Robert B. Latousek	<i>Vice President</i>
Harold R. Mulcahey	<i>Vice President-Sales</i>
Robert V. Searson	<i>Vice President and Treasurer</i>
William C. Wilcox	<i>Vice President-Operations</i>
Ralph Winston	<i>Vice President-National Account Sales</i>
David R. Abell	<i>Secretary and General Counsel</i>
Edward K. Vincek	<i>Assistant Secretary and Associate General Counsel</i>
Alfred W. Vitale	<i>Controller</i>
Ronald H. Simon	<i>Assistant Treasurer</i>

STP Corporation

GENERAL OFFICES

125 Oakton Street
Des Plaines, Illinois 60018
312/296-1142

Transfer Agent

First National City Bank
111 Wall Street
New York, N.Y. 10015

Registrar

The Chase Manhattan Bank
1 New York Plaza
New York, N.Y. 10015

Stock Exchange Listing

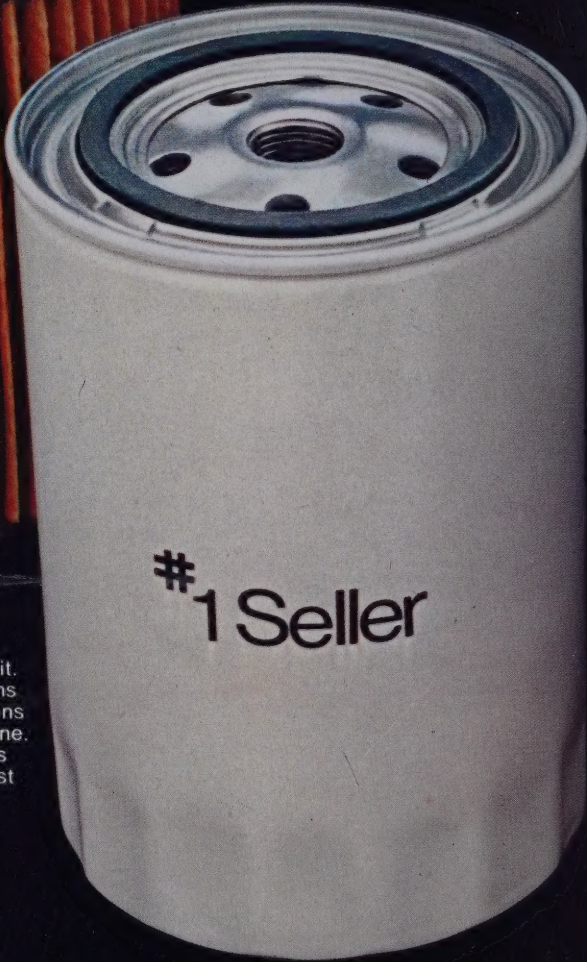
American Stock Exchange

ALL OIL FILTERS ARE



One pleated paper filtering element.

One By-Pass Valve. Every filtration system has one and most really need it. When the oil becomes so dirty it begins to clog the filter, the by-pass valve opens and redirects the oil back into the engine. And you never know when it happens because you never know how long just one filter element will last.



#1 Seller

"TYPE 1"

ANDY GRANATELLI INTRODUCES

The number one-selling filter you can buy today is just that— one filtering element. One that could fail all too easily on today's engines under today's driving conditions! That's why Andy Granatelli is bringing out the STP Double Oil Filter. It's actually a filter within a filter. Two separate filters, working together for dual filtration, more filtration. Cleaner oil. And clean oil is cheaper than engine repairs.